

REFERENCE TITLE: tax credit; pollution control equipment

State of Arizona
House of Representatives
Forty-ninth Legislature
First Regular Session
2009

HB 2372

Introduced by
Representative Murphy

AN ACT

AMENDING SECTIONS 43-1081 AND 43-1170, ARIZONA REVISED STATUTES; RELATING TO INDIVIDUAL AND CORPORATE INCOME TAX CREDITS.

(TEXT OF BILL BEGINS ON NEXT PAGE)

1 Be it enacted by the Legislature of the State of Arizona:
2 Section 1. Section 43-1081, Arizona Revised Statutes, is amended to
3 read:

4 43-1081. Credit for pollution control equipment

5 A. A credit is allowed against the taxes imposed by this title for
6 expenses that the taxpayer incurred during the taxable year to purchase real
7 or personal property that is used in the taxpayer's trade or business in this
8 state to control or prevent pollution. The amount of the credit is equal to
9 ten per cent of the purchase price.

10 B. Property that qualifies for the credit under this section includes
11 that portion of a structure, building, installation, excavation, machine,
12 equipment or device and any attachment or addition to or reconstruction,
13 replacement or improvement of that property that is directly used,
14 constructed, or installed in this state for the purpose of meeting or
15 exceeding rules or regulations adopted by the United States environmental
16 protection agency, the department of environmental quality or a political
17 subdivision of this state to prevent, monitor, control or reduce air, water
18 or land pollution that results from the taxpayer's direct operating
19 activities in conducting a trade or business in this state. WHEN CLAIMING
20 THE CREDIT, THE TAXPAYER SHALL INDICATE THE TYPE OF PROPERTY THAT IS
21 PURCHASED AND THE ENVIRONMENTAL IMPACT THAT THE PROPERTY HAS ON CONTROLLING
22 OR PREVENTING POLLUTION.

23 C. The credit allowed pursuant to this section does not apply to:

24 1. The purchase of any personal property that is attached to a motor
25 vehicle.

26 2. Any property that has a substantial use for a purpose other than
27 the purposes described in subsection B OF THIS SECTION.

28 3. Any portion of pollution control property that is included as a
29 standard and integral part of another property.

30 D. Amounts that qualify for a credit under this section must be
31 includible in the taxpayer's adjusted basis for the property. The adjusted
32 basis of any property with respect to which the taxpayer has claimed a credit
33 shall be reduced by the amount of credit claimed with respect to that asset.
34 This credit does not affect the deductibility for depreciation or
35 amortization of the remaining adjusted basis of the asset.

36 E. Co-owners of a business, including partners in a partnership and
37 shareholders of an S corporation, as defined in section 1361 of the internal
38 revenue code, may each claim only the pro rata share of the credit allowed
39 under this section based on the ownership interest. The total of the credits
40 allowed all such owners may not exceed the amount that would have been
41 allowed a sole owner.

42 F. If the allowable tax credit exceeds the taxes otherwise due under
43 this title on the claimant's income, or if there are no taxes due under this
44 title, the taxpayer may carry the amount of the claim not used to offset the

1 taxes under this title forward for not more than five taxable years' income
2 tax liability.

3 G. The maximum credit that a taxpayer may claim under this section is
4 five hundred thousand dollars in a taxable year.

5 H. THE DEPARTMENT SHALL INCLUDE THE FOLLOWING IN THE REPORT PRESCRIBED
6 BY SECTION 42-1005, SUBSECTION A, PARAGRAPH 4:

7 1. THE TYPE OF PROPERTY THAT IS PURCHASED BY TAXPAYERS WHO CLAIM THE
8 CREDIT UNDER THIS SECTION AND THE ENVIRONMENTAL IMPACT THAT THE PROPERTY HAS
9 ON CONTROLLING OR PREVENTING POLLUTION.

10 2. THE NUMBER OF OTHER STATES THAT PROVIDE TAXPAYERS A TAX CREDIT THAT
11 IS SIMILAR TO THE CREDIT PROVIDED UNDER THIS SECTION.

12 Sec. 2. Section 43-1170, Arizona Revised Statutes, is amended to read:
13 43-1170. Credit for pollution control equipment

14 A. A credit is allowed against the taxes imposed by this title for
15 expenses that the taxpayer incurred during the taxable year to purchase real
16 or personal property that is used in the taxpayer's trade or business in this
17 state to control or prevent pollution. The amount of the credit is equal to
18 ten per cent of the purchase price.

19 B. Property that qualifies for the credit under this section includes
20 that portion of a structure, building, installation, excavation, machine,
21 equipment or device and any attachment or addition to or reconstruction,
22 replacement or improvement of that property that is directly used,
23 constructed or installed in this state for the purpose of meeting or
24 exceeding rules or regulations adopted by the United States environmental
25 protection agency, the department of environmental quality or a political
26 subdivision of this state to prevent, monitor, control or reduce air, water
27 or land pollution that results from the taxpayer's direct operating
28 activities in conducting a trade or business in this state. WHEN CLAIMING
29 THE CREDIT, THE TAXPAYER SHALL INDICATE THE TYPE OF PROPERTY THAT IS
30 PURCHASED AND THE ENVIRONMENTAL IMPACT THAT THE PROPERTY HAS ON CONTROLLING
31 OR PREVENTING POLLUTION.

32 C. The credit allowed pursuant to this section does not apply to:
33 1. The purchase of any personal property that is attached to a motor
34 vehicle.

35 2. Any property that has a substantial use for a purpose other than
36 the purposes described in subsection B OF THIS SECTION.

37 3. Any portion of pollution control property that is included as a
38 standard and integral part of another property.

39 D. Amounts that qualify for a credit under this section must be
40 includable in the taxpayer's adjusted basis for the property. The adjusted
41 basis of any property with respect to which the taxpayer has claimed a credit
42 shall be reduced by the amount of credit claimed with respect to that asset.
43 This credit does not affect the deductibility for depreciation or
44 amortization of the remaining adjusted basis of the asset.

1 E. Co-owners of a business, including corporate partners in a
2 partnership, may each claim only the pro rata share of the credit allowed
3 under this section based on the ownership interest. The total of the credits
4 allowed all such owners may not exceed the amount that would have been
5 allowed a sole owner.

6 F. If the allowable tax credit exceeds the taxes otherwise due under
7 this title on the claimant's income, or if there are no taxes due under this
8 title, the taxpayer may carry the amount of the claim not used to offset the
9 taxes under this title forward for not more than five taxable years' income
10 tax liability.

11 G. The maximum credit that a taxpayer may claim under this section is
12 five hundred thousand dollars in a taxable year.

13 H. THE DEPARTMENT SHALL INCLUDE THE FOLLOWING IN THE REPORT PRESCRIBED
14 BY SECTION 42-1005, SUBSECTION A, PARAGRAPH 4:

15 1. THE TYPE OF PROPERTY THAT IS PURCHASED BY TAXPAYERS WHO CLAIM THE
16 CREDIT UNDER THIS SECTION AND THE ENVIRONMENTAL IMPACT THAT THE PROPERTY HAS
17 ON CONTROLLING OR PREVENTING POLLUTION.

18 2. THE NUMBER OF OTHER STATES THAT PROVIDE TAXPAYERS A TAX CREDIT THAT
19 IS SIMILAR TO THE CREDIT PROVIDED UNDER THIS SECTION.